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March 12th, 2024

The Hon. Matt Klein
Chair, House Commerce and Consumer
Protection Committee
2105 Minnesota Senate Building
St. Paul, MN 55155

The Hon. Gary Dahms
Ranking Minority Leader, Commerce and
Consumer Protection
2219 Minnesota Senate Building
St. Paul, MN 55155

Re: Senate File 4735 (Amendments to Student Loan Borrower Bill of Rights)

Dear Chairman Matt Klein and Ranking Minority Leader Gary Dahms:

Pursuant to my duty under section 8.32 of the Minnesota Statutes to recommend statutory changes to protect consumers, I write in support of SF 4735, which would improve upon Minnesota's Student Loan Borrower Bill of Rights to better protect consumers and ensure compliance for student loan servicers in Minnesota.

Student loans continue to be a source of hardship and economic anxiety for Minnesotans. As of 2020, there were 775,300 student-loan borrowers in this state with an average debt over \$37,000. Over 85,000 were in delinquency. These borrowers include younger students but also parents and senior citizens. In fact, there are over 2.4 million student loan borrowers nationwide 62 and older, and the rate of Minnesota seniors owing student debt increased 46 percent between 2012 and 2017. These numbers reflect the growing cost of college and represent a serious burden on Minnesota families, who often struggle with monthly payments and growing balances that prevent them affording their lives and building a future for their families. These burdens are made worse by the byzantine set of rules applied to different loans and poor communication by servicers, collectors, and others in the industry who have too often not acted in the best interests of borrowers.

In the past several years, my office has received many complaints from Minnesotans confused by the identify of their lender, the type of loan they have, their obligations and options for repayment, and their rights when dealing with their student debt. Sometimes these problems amount to fraud. For example, my office in 2022 obtained a consent judgment against Navient for various misrepresentations, including statements that it would help borrowers find the best repayment options and falsely steering borrowers into costly forbearances. My office secured \$14 million in debt cancellation and restitution for Minnesotans as part of that lawsuit. My office also brought several cases against bad actors in the student loan industry, including nearly a dozen cases against companies fraudulently offering debt relief. These types of abusive practices are especially concerning because, unlike other businesses, student-loan servicers are not chosen by borrowers. This prevents consumers from exercising the leverage of their purchasing power and competition over better treatment. Instead, servicers are chosen by lenders that are likely to focus on costs alone and without regard for how borrowers are treated once in repayment.

While the U.S. Department of Education has improved its oversight over federal student-loan services, there are still rampant problems. Just last month, the Student Borrower Protection Center published a report uncovering a “call deflection” scheme used by the massive federal-loan servicer MOHELA to confuse and prevent borrowers from being able to receive accurate information and address issues with their student loans.

To address these types of issues, I have been a strong supporter of the Minnesota Student Loan Borrower Bill of Rights passed in 2021 and amendments last year to create a student loan advocate. That law took important steps to protecting borrowers, including servicer oversight, prohibited practices, duties in communicating with borrowers, and information-sharing with my office related to enforcement concerns. SF 4735 builds on that foundation by, among other things:

- providing better reporting requirements for private loan servicers that are subject to less oversight and have a record of unique abuses in the industry;
- requiring transparent information about income-driven repayment options that may benefit borrowers;
- Ensuring accurate application of payments;
- Preventing abusive practices; and
- Adding a private right of action, subject to notice and an opportunity to cure, so that harmed borrowers have a way to remedy misconduct and ensure compliance.

These amendments address many of the harmful practices that my office has witnessed in this industry and will benefit Minnesota. I strongly encourage your committee to advance this important bill. Thank you for allowing me to provide my recommendations. If you have any questions or would like additional information, my team and I would be happy to help in any way that we can.

Sincerely,



KEITH ELLISON
Attorney General